

# ANTAGONISTIC ANOMALIES.

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INCONVERTIBLE PAPER AND FREE TRADE,

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FREE TRADE AND BULLION,

AND

INCONVERTIBLE PAPER AND PROTECTION.

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By ALBERT WILLIAMS, Esq.

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*"O curas hominum! O quantum est in rebus inane!"—PERSIUS.*

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BY THE SAME AUTHOR.

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Just Published, price Sixpence,

THE CRISIS AND THE CRASH;

*A Letter to the Free Traders of England.*

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“Buy in the cheapest Market.”—LEAGUE MAXIM.

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TO

## THE FREE TRADERS OF ENGLAND.

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GENTLEMEN,

LET us see what economical doctrine will bear the roughest handling. That doctrine will prove to be a bullion currency guarded by protection to British industry. It has at least one merit. It is not anomalous. We do not produce bullion: we acquire it, and therefore it ought to be our common sign of value, and the industry that acquires it ought to be secure of being always profitably employed. Secure that, and you acquire bullion and ensure a sufficient currency.

Exactly one calendar month ago, I took the liberty of addressing you on the crisis and the crash occasioned by the prevailing influence of what is called Political Economy, and ventured at that time to predict, that unless an immediate and effective arrangement were made to meet the emergency, either the Bank Charter Act must go, or that distress and losses must increase. Failures have continued up to the present time, and the Bank Charter Act is also placed in a more than questionable predicament. It is acknowledged by friend and foe that it cannot remain intact, and this circumstance induces me to offer a few observations which may or may not receive consideration at your hands, though as I shall sincerely endeavour to make truth apparent, I am led to hope that they may.

Supposing that the Act is to receive amendment,

or alteration, or its final doom, the question arises, What is to be substituted for it? And first I will express a hope that it will not be either a limited or unlimited inconvertible paper-currency, or an immediate unfixing of the gold standard. Either of these measures would entail a fearful danger upon this country, for whatever it is that we call money must be admitted to be the common sign of value, and nothing ought to be so exempt from variation as that which is the common standard of the nation's wealth. It is certainly quite obvious, even if we take for instance that portion of national and individual wealth at present in trade, that trade itself is in its own nature extremely uncertain; and it is more especially to be hoped that the recent experience we have had of this truth will operate as a salutary check upon any hasty desire to add a new uncertainty to one which has already been the cause of so much confusion and disaster.

And first, the doctrine of an inconvertible paper-currency, whether limited or unlimited, is open to the charge of the greatest uncertainty. One instance may suffice. Not to treat the subject with levity, by suggesting that the whole of it might explode substantially, after the manner of gun-cotton, there are interests of every description, such as shares, stock, debentures, national debt, and other securities, which are certainly not, at present, either money itself or current in the character of money. How is their value to be ascertained? It could only be ascertained, under a new currency, by experience. An issue of inconvertible paper would in itself be no more a sign of value than the interests which such paper might profess to represent, but if you make it currency and legal tender, then upon the faith of its

sufficiency there would be an enormous expansion of credit, and the mere issue of such paper would (in proportion to its extent) send up the nominal value of these interests to double, ten times, or twenty times, that by which they are at present dealt with. Then would arise the credit system to the height of the value by which these interests might be represented in inconvertible paper; and from the nature of things it must happen that both the credit and the paper would vanish as suddenly as they arose, leaving the interests they profess to represent without any defined value at all. For British wealth and British industry ought certainly to be convertible terms, and if you represent them with an inconvertible paper sign it is self-evident that all these interests could not be raised so enormously in price in the first instance, without affording individuals an opportunity of securing immense wealth in inconvertible paper. These individuals would then, while the system was swelling, realize that wealth in commodities most enduring and least liable in their nature to depreciation; and when these were monopolized, their real value would undoubtedly become apparent, and a certain collapse of the whole system of paper and credit must inevitably follow. How this would happen, no one can venture to say. It *might* happen from a refusal of the monopolizers of real value to trade any longer upon credit. It might be from their having remitted the whole of their monopolized and realized wealth into a foreign country where the inconvertible paper would be of no value whatever; but I have pointed out what I conceive to be a certain foreseen inconvenience arising from a system of paper and credit without a fixed sign of value into which it might be converted, and the experience we have had of the

operation of free trade convinces me that foreseen dangers are often less mischievous in their result than those which in any theory, if it be mere theory, generally lurk unforeseen. For instance, in July, 1846, the protectionists foresaw that free trade would lead to great fluctuations in prices; but if they had then said, that in May, 1847, the price of the four-pound loaf would be eleven pence, but that in October, 1847, it would be five pence, and yet that the commercial and manufacturing classes would be in greater distress in October than in May; and that Exchequer Bills with the interest doubled in May would be sold in October at a great discount, such an announcement would have been received with shouts of free-trade derision. Yet the danger lurked in the free-trade theory—it impended over the nation then, and is at length unhappily realized.

That there is danger in the doctrine of an inconvertible paper currency must on the fullest consideration be recognized. If we are to have money at all, that money must be a sign to represent value. Metal seems so obviously made for the purpose, that some nations, as we shall see, adopted it widely when circumstances required that they should not have done so. For us, however, it is the best sign we can have; the most durable and least liable to loss by wear. From amongst the metals, gold and silver should be undoubtedly selected as of most intrinsic value, and therefore more portable than the coarser and more abundant metals, and because from their nature they are more easily reduced to a relative equality of standard. Look to the most barbarous methods of current signs of value, and you find some nations making use of salt, which is always liable to great waste; others, different kinds of merchandise, which

caused them to waste time in equalizing them according to the momentary ideas of the merchants buying and selling. The Grecians at one time used oxen, and the Romans sheep; but how was it possible for one ox to be in all respects of equal value with another, or for one sheep to be exactly of the weight, size, health, age, flavour, and other qualities as its next neighbour? No one contends for such currency now; these animals and commodities are, in fact, things signified by our currency, and the thing to be established to meet the requirements of England at the present time is, a sufficient currency and a sound one.

Now, if money be a sign of value, and you issue unlimited inconvertible paper and make it money, it may happen that you will have more signs than things signified, and the whole issue would cease to be money at once, because it could not be ascertained what paper signified anything and what did not. This uncertainty disposes of the doctrine of an unlimited issue of inconvertible paper.

And if you limit the issue and still make it inconvertible, there is still an uncertainty. For you would fix the limit of the issue by the supposed want or necessity, or by the supposed value of national wealth, or things in trade; and that would be the limit of the issue, or signs of wealth. And as the things signified would then be the national wealth, or things in trade, but would not always remain so, it might very well happen that you would have inconvertible signs signifying nothing either of wealth or in trade; signifying, perhaps, what had perished or been consumed, or signifying something which had yet to become a thing of wealth or in trade, until which time it could not be ascertained what the inconvertible sign might

signify, unless it signified value; and then it must signify the value of all things of wealth, or things then in trade, which, under a system of free trade, would be contrary to the nature of sufficiency in a limited issue of inconvertible paper, which could then with propriety only represent itself. And that is an anomaly, because although you might make a law that the proportion of ten to twenty should represent the same value as that of ten to thirty, or ten to six, the law of Nature would annul its operation. A limited issue of inconvertible paper could not therefore sufficiently represent the value of all commodities at all times; the compound ratio of things, value and signs, would forbid it.

But if all paper be convertible into gold and silver signs, always signifying value, then it is true you may limit the issue of paper by the amount of specie; and if free trade eat up the specie, that is an anomaly which converts free trade into no trade; but the paper always signifies a gold or silver sign of value, the abundance of which will depend on your legislation, and may be either limited or unlimited, according to the amount of national industry converted into produce, which is wealth, and may be well represented by metallic signs, if your legislation protect both the industry and the currency; and, therefore, to be sound, British wealth and industry, which are themselves convertible terms, ought both to be protected by legislation, and it would follow that both might be well represented by acquired metallic signs. I would especially call attention to the reason why they should be. It is, that we do not produce either gold or silver; and I hope to make it apparent, that if we could produce gold and silver to the same extent we produce paper, that would be a reason why



gold or silver should not be the inconvertible signs of our national wealth.

The very quality of a sign of value is, that it should be convertible into the value of any commodity of which it is the sign, but that it should be neither of the same abundance, nor of the same nature, as the things whose value it represents. Take, for instance, the cases of Spain and Portugal. Their mines were wealth to them at first, but they ceased to be profitable to them, and why? Because production is a sign, not of production, but of labour; and here is the whole secret of currency. Looked upon in its true light, there is always an inherent defect in the use of a sign signifying its own nature. For labour is rendered profitable in production, if the produce be a commodity or a sign of labour, but not if the produce be at once commodity produced by native labour, and also a sign of commodity. Profit is then destroyed by the sign instead of being extended by the labour, and herein consists a strong ground of argument in favour both of a metallic currency for England, not the produce of English labour, and protection for that currency itself and the industry which, not producing it, secures its possession. These two countries, Spain and Portugal, are examples. Owning the produce of their mines, that produce ought to have been to them only commodities, but they made signs of these commodities, and ruined their wealth after the following free trade fashion.

They first drew the metals by labour from their own possessions, and then made these metals the signs of their wealth. They held possession of the wealth in the mines, but could not prevent the signs from circulating. They continued to draw the metals

and continued to multiply the signs, which they did not retain. But the more they produced the metals, and the more they multiplied and circulated the signs, it followed by the rule of progression, that the less valuable the mines became; because a complete metallic sign became abundant, which represented an unwrought metallic wealth or commodity of its own nature, which could only continue to be produced by incessant labour: and when they had by labour doubled their produce of the metal, they had also progressively rendered it by so much less valuable by having made abundant ("with all the world,") the metallic signs, which required no labour, but only the possession of them, to cause them to represent that wealth for which the nations owning the mines had still to labour. So that by making circulating signs of their wealth to represent that wealth, they laid the foundation of poverty. They laboured, in fact, for those countries which, so to speak, drew their manufactured produce from them in the complete form of their signs, which representing that wealth for which they themselves had still to labour, the law of nature fixed a limit at which that labour ceased to be profitable. Now this is an argument both against an inconvertible paper currency in England, and also against legislating to encourage an unlimited export of complete signs of national wealth, in the vain hope of recovering more, by labour which then becomes unprofitable. British labour was employed profitably when the metallic signs of value were here in abundance, but the loss of the signs has caused unprecedented confusion, which renders labour unprofitable; and if, upon such a state of things, we issue an inconvertible paper currency, the result can only be dimly guessed at, when we recognize the fact,

that paper is a commodity of British manufacture, and that its inconvertibility, either as a sign of things or as a sign of value, will most undoubtedly facilitate a speedy monopoly of all the metals which we do not produce.

With such a monopoly our foreign trade must cease, for an adverse balance of trade could not be met. The real value of the metals will then become apparent, through the utter inefficiency of inconvertible paper to command their distribution.

The Emperor of Russia acts as if he understood the value of gold. He works his mines by the labour of captives and convicts, and *lends* the produce to nations which cannot retain it. If such policy be not counteracted by legislation, he will most undoubtedly have it in his power to break those nations down, not by invasion, but by debt, payable in gold which they continue to borrow and continue to lose.

Wishing thoroughly to arrive at that desirable object, a sufficient and sound currency, and not maintaining a doctrine merely for the sake of doing so, the question now arises, How can gold and silver, or paper, convertible into these metals, possibly discharge all existing obligations and liabilities? And the honest answer is, That they cannot do so at one and the same time: but then it must be remembered, that they have in times of prosperity, (by which I mean when we legislated to protect currency and industry,) answered the purpose required of them, which was *currency*, and that all debts and liabilities are not required to be discharged at the same time. If they were so discharged, there would be an end of commerce and trade—there would be an end of all income, by destroying the system of paying interest at all, and a whole people must then live upon capital.

In a legal point of view, the whole currency has been based upon a gold standard, not excepting that portion of it based on the Government debt; for the debt was legally payable in currency, and that currency was a gold one. The debt, therefore, was as much an obligation to pay in gold as any convertible Bank of England note. Here, however, we are met by the practical difficulty—the gold is not in England either in sufficiency to pay the debt or even to sustain public confidence. Then I contend, that the Government is bound to propose a system of policy that shall bring the gold here and retain it. Under the protective system we possessed gold, if not in sufficiency to liquidate all claims at one time, at least in sufficiency to sustain public confidence and mercantile credit: and if the gold be gone, the mistake was in legislating, first, to prevent more gold from coming here in balance of trade, and then to send away the gold we had, as free trade has done, and will inevitably do. It is at length apparent, that the bullion currency cannot exist with what is called free trade, and the only question is, whether to restore protection and prosperity, or abandon the bullion currency for a new theory, involving at least a new uncertainty to all interests whatever.

I apprehend all that is wanted is, that the currency and the several articles of British produce, merchandise and manufacture should bear this relation to each other, viz., that those who have one may, if they please, have the other in exchange for it, according to the relative value which the one should properly bear to the other, in respect as well to the intrinsic value of commodities as to the number of signs; and having regard to the taxation to be borne by the community. Now I think it clear that as we

do not produce specie, the mining examples above-mentioned teach us that specie ought in our country to represent value, viz., the value of all commodities; that legislation should favour the acquisition and retention of specie in abundance, and that paper should represent, not what it is itself, commodity, but specie as a sign. And if debt be payable in specie, and our recent legislation has rendered specie scarce, and so destroyed paper and credit; why not at once use the national resources at command and make, not bank issues, but government issues of paper based upon public debt, that is to say, public obligation to pay in specie, and then legislate to bring the specie here? The relief would be instantaneous and permanent, instead of being tardy and doubtful. It would also be legitimate; for the paper so issued would be of a convertible nature, which if made legal tender for a fixed period by proclamation, might be issued through the bank to be redeemed by the bank with its own lawful issues when the bank had been paid the specie to cancel the obligation of the public. But that would involve the necessity of recovering the gold, and can anything be more apparent, than that a country indebted in gold is bound to do all in its power to obtain it? Is it wise, is it honest for a nation to become liable in gold, and then send the gold away, saying "We wish it would go," and then we will prosper, because we shall have free trade? It seems incredible that while this nation assumes to be at the head of the civilized and mercantile world, and gold is abundant everywhere but here, that we should be unable to obtain or retain a sufficiency of it to carry on or sustain the common transactions of individuals, without being dependent for it upon continental aliens, who become our na-

tional creditors, knowing that as soon as we get the gold it must under the operation of free-trade disappear for corn and other commodities. Yet so it undoubtedly is. The tide of wealth obeying the law of its own nature refuses to hearken to the mandate of the modern Canute. Will he commit the unheeding current for its contempt, or will he rebuke his courtiers who flattered him that he might for ever exercise a mighty control by seating himself on the shores of democracy upon the throne of free-trade?

There is a trite old adage that the effect will cease on the removal of the cause. If then the cause of the recent confusion be manifest; why not remove it; and instead of applying what is called the 'Bank screw' to England, apply the British parliamentary screw to the foreigner? You would then quickly recover and certainly retain a sufficiency of gold to sustain the widest currency that ever circulated; for it should not be forgotten that when the bullion was here there was no want of paper to represent it, and the reason of the Bank Charter Act breaking down is precisely because the converse does not hold good; the bullion gone, the paper disappeared,—the bullion here, there is paper to represent it,—whether it be gold alone, or gold and silver; if the two be made to bear a relative equality—but not otherwise, then let paper be issued upon both by all means. What I contend for is, that paper ought not to be inconvertible and yet representative; there is danger in such a system which is palpable; and dangers besides which cannot be foreseen for want of experience in its practical working. If we had wisely adjusted the customs duties, instead of repealing them wholesale, whatever gold might necessarily have gone to America would have been received

from continental Europe in our own right; and we should neither have seen this horrible crisis, nor have placed ourselves at the mercy of both continents for the means wherewith to meet it.

Inconvertible paper-currency must be an anomaly, whether under free trade or protection. Gold arrives from the European continent to be invested in the funds. It departs in payment for adverse balances of trade consequent upon our system of free imports. Now the funds represent a debt; and when the foreigners are your creditors for gold, will they take payment in inconvertible paper, either for dividends or capital? If not, then inconvertible paper would not pay either the dividends or the debt; and you would have a sign of value which for *all* purposes of payment in England (if for any) must be made current by law, but which for some purposes would not be current in fact.

And if you obliged the national creditors, subjects of the realm, to take this paper, while you paid the foreigner his claim in gold, you would be discharging a debt due to creditors holding the same class of securities with two distinct currencies, giving the preference to the foreigner and placing him in a condition to receive in gold, (besides his original investment and his dividends,) whatever advance in price the paper-currency might cause in the value of the funds.

And if the paper were legal tender in England to British subjects, foreigners might acquire that also for their goods and with it make payments for specie.

Having monopolized your specie by such payments, they might still be your national creditors for gold invested in consols and monopolized in trade. And they would leave you to raise your taxes and pay your land and sea forces *abroad* in inconvertible paper.

Let us then in the name of common sense pro-

tect our industry and our currency with those safeguards which would have made both gradually and sufficiently prosperous; and let us abandon mere theories for honest endeavours to restore that prosperity and public confidence which have been so heedlessly sacrificed. Rest assured, however, that free trade and bullion currency are antagonistic, and that inconvertible paper will not meet an adverse balance under a system of free imports. Rest assured too, that true protection and inconvertible paper are in their nature inconsistent with each other, and let us have RESTORATION.

Speculative theories are well enough, as such. Reduce them into practice and you have seen the consequences of at least one of them. But mighty preparations are still afoot. The pompous expedition which is to swallow up opposition rather than overcome it, is planned. Free trade is yet the order of the day, and the commencement of the great bridge which is to convey the untold millions not across the Hellespont—but the Atlantic, is undertaken. The navigation laws are next to bow beneath the yoke of the victor; and ships by thousands and men in nations are economically and breathlessly awaiting the onslaught. Protectionist predictions may meet with free trade derision, but in spite of derision I will predict. There will be a Themistocles and a storm! perchance a wreck, a battle, and a broken bridge. Shift the scene, and lo, a Salamis! from whence great Xerxes will disappear on the political horizon in a skiff!

I am, GENTLEMEN,

Your dissentient Fellow-Countryman,

*Lincoln's Inn Fields,*

ALBERT WILLIAMS.

Nov. 1, 1847.